

THIRD DIVISION

[G.R. No. 208004, July 30, 2018]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. PRADO VERDE CORPORATION, RESPONDENT.

[G.R. No. 208112]

PRADO VERDE CORPORATION, PETITIONER, VS. LAND BANK OF THE PHILIPPINES, RESPONDENT.

[G.R. No. 210243]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. PRADO VERDE CORPORATION, RESPONDENT.

DECISION

GESMUNDO, J.:

The instant petitions are rooted from the March 21, 2012 Decision^[1] and June 11, 2012 Resolution^[2] of the Regional Trial Court of Legazpi City, Branch 3 (*RTC*), in Agrarian Case No. 08-04, a case for just compensation filed by Prado Verde Corporation (*Prado*), formerly United Plaza Properties, Inc., against Land Bank of the Philippines (*Land Bank*) whereby the trial court directed Land Bank to pay Prado the amount of P294,495.20 as just compensation, an amount which was higher than Land Bank's revalued amount of P214,026.38.

After both parties' respective motions for reconsideration were denied, each party filed its separate petition for review before the Court of Appeals (*CA*). Prado's petition was raffled to the Sixth Division and was docketed as CA-G.R. SP No. 125525, while Land Bank's petition was raffled to the First Division, docketed as CA-G.R. SP No. 125471.

Learning of the two petitions, both parties moved for consolidation in CA-G.R. SP No. 125471, said case having the lower docket number. However, pending resolution of the motion, the CA Sixth Division rendered a Decision^[3] on January 31, 2013, and later a Resolution^[4] on July 8, 2013, affirming the decision of the *RTC* and denying the parties' motions for reconsideration, respectively. Thus, Land Bank and Prado filed their separate petitions for review before the Court, docketed as **G.R. No. 208004** and **G.R. No. 208112**. Both petitions were later consolidated.

Subsequently, the CA First Division denied the motion for consolidation, the same having been mooted by the January 31, 2013 Decision of the Sixth Division. Thus, it later rendered a Resolution^[5] on December 4, 2013 dismissing Land Bank's petition for lack of merit. Hence, Land Bank filed a petition for review before the Court,

docketed as **G.R. No. 210243**.

Since all three petitions are not simply intertwined, but involve the very same parties, facts and issues, consolidation is therefore in order.

Antecedents

Prado was the owner of an agricultural land known as Lot 5834-A, covered by Transfer Certificate of Title (TCT) No. 4141 issued in the name of Legazpi Oil Company, Inc. (*Legazpi Oil*), from which Prado bought said property in 1979. The property remained registered in the name of Legazpi Oil and the sale was not annotated on the TCT. However, on July 9, 1980, the deed of absolute sale in favor of United Plaza Properties, Inc. was presented for registration and was duly registered before the Registry of Deeds of Legazpi. The said property was placed within the coverage of the Agrarian Reform Program under Presidential Decree (P.D.) No. 27 and a portion thereof, with an area of 2.4975 hectares, was placed within the coverage of Operation Land Transfer on December 4, 1995. As of August 2010, the landowner of the agricultural property had not yet been compensated. Prado received the claims folder from the Department of Agrarian Reform (DAR) on January 24, 1996.

Meanwhile, on April 21, 1988 and pursuant to Emancipation Patent issued by DAR, the Registry of Deeds entered in its registry TCT Nos. 58 and 59 over portions of Lot 5834-A, which portions were then known as Lot No. 5834-A-1, issued in the name of farmer-beneficiary Salustiano Arcinue and Lot No. 5834-2 issued in the name of farmer-beneficiary Agapito Azupardo, respectively. Thus, TCT No. 4141 was partially cancelled with regard to the 2.4975 hectare portion, which portion was previously classified as riceland, of Lot No. 5834-A.

On January 1996, Land Bank initially valued the acquired property in the amount of P38,885.04 pursuant to P.D. No. 27. Then, a revaluation was made and the compensation was pegged in the amount of P59,457.05 which amount, for unknown reason, was not received by the landowner. Thus, Prado filed an agrarian suit before the RTC.

During the pendency of the case, Land Bank further revalued the property using the reckoning dates of production data and values pursuant to Administrative Order (A.O.) No. 1, series of 2010, which the DAR issued under Republic Act (R.A.) No. 9700, and the two-factor formula prescribed therein $[(LV = (CNI \times 0.90) + (MV \times 0.10)]$, thus arriving at the amount of P214,026.38. However, Prado rejected the revalued compensation.

On March 21, 2012, the RTC, acting as a Special Agrarian Court (SAC), rendered a Decision^[6] fixing the amount of just compensation at P294,495.20. The trial court held that just compensation of the subject properties should be computed pursuant to A.O. No. 5, Series of 1998, as amended by A.O. No. 2, Series of 2009 and A.O. No. 1, Series of 2010, which reckoned the determination of just compensation based on the condition of the property prevailing within the 12-month period preceding June 30, 2009, the presumptive date of taking.^[7] The computation was as follows:

$$LV = (CNI \times 0.60) + (CS \times 0.30) + (MV \times 0.10)$$

Where: LV = Land Value

CNI = Capitalized Net Income which refers to the gross sales
(AGP x SP) with assumed net income rate of 20%
Capitalized at 0.12

CS = Comparable Sales (based on fair market value equivalent
to 70% of BIR Zonal Value)

MV = Market Value per Tax Declaration

$$\begin{aligned} \text{CNI} &= \frac{(\text{AGP} \times \text{SP}) \times 0.20}{0.12} \\ &= \frac{(5,900 \times \text{P}9.00) \times 0.20}{0.12} \\ &= \mathbf{P88,500.00} \end{aligned}$$

$$\begin{aligned} \text{CS} &= \text{P}20.00 \text{ zonal value/square meter} \times 10,000 \text{ sq. m.} \\ &= \mathbf{P200,000.00} \end{aligned}$$

$$\begin{aligned} \text{MV} &= \text{P}30,100.00 \times 100\% \times 1.60 \\ &= \mathbf{P48,160.00} \end{aligned}$$

$$\begin{aligned} \text{LV} &= (\text{CNI} \times 0.60) + (\text{CS} \times 0.30) + (\text{MV} \times 0.10) \\ &= (88,500.00 \times 0.60) + (200,000.00 \times 0.30) + (48,160.00 \times 0.10) \\ &= 53,100.00 + 60,000.00 + 4,816.00 \\ &= \mathbf{P117,916.00} \text{ per hectare} \end{aligned}$$

$$\begin{aligned} \text{Total LV} &= \text{LV} \times \text{area acquired} \\ &= 117,916.00 \times 2.4975 \text{ hectares} \\ &= \mathbf{P294,495.20} \end{aligned}$$

Unsatisfied, both parties moved for reconsideration. Prado claimed that the valuation of the property should be based on the zonal value of the residential lots within the vicinity where the property is located, while Land Bank argued that its revaluation should be upheld.

The parties' motions for reconsideration were denied. Thus, Prado and Land Bank filed their respective petitions for review before the CA.

CA's Ruling

CA-G.R. SP No. 125525

Prado insisted that the trial court violated the equal protection clause when it did not compute the valuation of its landholding based on the zonal value of the residential lots within the vicinity where it is situated. Prado further claimed that the fair market value of the land should have been used as basis for the computation of just compensation, citing *Hacienda Luisita Incorporated, et al. v. Presidential Agrarian Reform Council, et al.*^[8]

The CA Sixth Division, however, denied Prado's petition ruling that the trial court correctly applied the three-factor formula prescribed under A.O. No. 1, Series of 2010. It also did not agree with Prado's contention that the Court use the fair market value of the land as basis for the computation of just compensation. Instead,

the appellate court agreed with the Land Bank's observation that nowhere in the decision of the Court was it found that the fair market value was used as basis. The CA, citing *Allied Banking Corp. v. LBP*,^[9] ruled that a market data approach cannot replace the factors enumerated in the agrarian law and the computation in accordance with the DAR administrative order implementing it;^[10] and that the measure of just compensation in agrarian reform is different from ordinary expropriation where lands are likewise taken for public use.^[11]

The CA further ruled that contrary to Land Bank's stance, the three-factor formula prescribed under the aforementioned A.O. was correctly applied by the court *a quo* in the valuation of Prado's landholding.^[12] It held that:

Indeed, the Court a quo's findings closely conformed to the factors listed in Section 17 of RA No. 6657 especially the factors of *actual use and income of the subject properties*. It has been consistently ruled that the ascertainment of just compensation by the RTC as SAC on the basis of the landholding's nature, location, market value, assessor's value and the volume and the value of produce is valid and accords with Section 17, *supra*. In the absence of proof to show that the Court a quo, acting as Special Agrarian Court, committed grievous error in the appreciation and weighing of the evidence, We respect its findings. Accordingly, the determined amount by the Court [*a quo*], in eminent domain terms, is the "*real, substantial, full and ample*" compensation the government must pay to be "*just*" to the landowner, herein petitioner.^[13] (citations omitted)

Unsatisfied with the decision, Prado and Land Bank filed their respective motions for reconsideration. However, both motions were denied. Thus, they sought relief before the Court.

CA-G.R. SP No. 125471

Land Bank contended that the RTC's valuation of the subject land did not consider the pertinent guidelines issued by the Department of Agrarian Reform (DAR) but instead created its own version of the applicable guidelines, which is not allowed under settled jurisprudence.^[14]

The CA First Division, however, was not convinced, ruling in this wise:

As the law now stands, it is clear that the RTC, acting as Special Agrarian Court, is duty-bound to take into consideration the factors fixed by Section 17 of Republic Act (RA) No. 6657, as amended, and apply the basic formula prescribed and laid down in the pertinent administrative regulations.

After a judicious evaluation of the petition, as well as the evidence on record, We find and so hold that the Petitioner failed to sufficiently show that the RTC ignored, misconstrued, or misapplied any cogent facts and circumstances which, if considered, would warrant a modification or reversal of the outcome of the case. On the contrary, it conformed with the factors listed in Section 17 of the above law in determining just

compensation. In the absence of proof to show that it committed grievous error in its dispositions, We have to respect its findings.^[15]

Undaunted, Land Bank proceeded before the Court *via* a petition for review questioning the above disposition.

Collectively, the issues for resolution are as follows:

I.

WHETHER OR NOT THE COURT OF APPEALS ERRED IN AFFIRMING THE SAC'S DETERMINATION OF JUST COMPENSATION.

II.

WHETHER OR NOT THE COURT OF APPEALS ERRED IN AFFIRMING THE JUDGMENT OF THE SAC ORDERING THE IMMEDIATE PAYMENT OF ITS ADJUDGED JUST COMPENSATION, WITH INTEREST AT 12% IF UNHEEDED WITHIN 30 DAYS FROM NOTICE, EVEN IF THE ORDER IS NOT YET FINAL AND EXECUTORY.

Court's Ruling

The Court finds the petition filed by Land Bank partly meritorious.

In eminent domain, the determination of just compensation is principally a judicial function of the Regional Trial Court, acting as a Special Agrarian Court.^[16] It exercises original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners.^[17] The RTC-SAC, however, must comply with the Court's ruling in *Alfonso v. Land Bank of the Philippines*^[18] necessitating compliance with the guidelines and factors laid down by law in determining just compensation, where the Court specifically emphasized that:

For the guidance of the bench, the bar, and the public, we reiterate the rule: Out of regard for the DAR's expertise as the concerned implementing agency, **courts should henceforth consider the factors stated in Section 17 of RA 6657, as amended, as translated into the applicable DAR formulas in their determination of just compensation for the properties covered by the said law.** If, in the exercise of their judicial discretion, courts find that a strict application of said formulas is not warranted under the specific circumstances of the case before them, they may deviate or depart therefrom, provided that this departure or deviation is supported by a reasoned explanation grounded on the evidence on record. In other words, courts of law possess the power to make a final determination of just compensation.

^[19] (emphasis supplied)

Parties' respective arguments before the Court

In its Memorandum,^[20] Land Bank avers that while the SAC recognized that the Administrative Orders implementing R.A. No. 6657, as amended by R.A. No. 9700, should be followed in the determination of just compensation, yet it did not follow